

Ford Lays Foundation For \$1B India Factory

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MUMBAI, India (AP) — Ford Motor Co. laid the cornerstone for a new \$1 billion dollar factory in India on Thursday, pressing ahead with expansion plans despite an uncertain outlook for Asia's No. 3 economy where growth in car sales has recently waned.

Ford's plant will have the capacity to manufacture 240,000 cars and 270,000 engines a year when it's complete in 2014. The factory will produce cars for domestic consumers and for export.

"We are committed to significantly increasing our manufacturing output and aggressively expanding our business in India," Michael Boneham, Ford India's managing director, said in a statement.

Ford's expansion of its India business comes amid slowing car sales in India. So far during the fiscal year ending in March, car sales have crept up 0.3 percent, against the previous year's 29.5 percent surge.

Car sales in India have suffered as the economy has slowed. High interest rates, driven by the central bank's aggressive attempts to control inflation, have also hurt demand.

The government expects India's economy to grow 6.9 percent this fiscal year, against 8.4 percent last year. The ruling Congress Party has been unable to corral restive coalition partners and state leaders to push through changes in foreign investment, tax, labor and land laws that could unlock growth and reassure investors.

Recent tax hikes and persistent inflation have diminished hopes that the central bank will quickly lower interest rates to kickstart the economy.

Ford's passenger vehicle sales for the April to February period fell 5 percent from a year earlier to 83,639 vehicles, according to the latest data from the Society of Indian Automobile Manufacturers, an industry group.

The slowdown comes after a period of strong growth, driven by the popularity of Ford's affordable compact Figo car. Ford, which says it has invested \$2 billion in India, still lags General Motors in India sales.

Ford plans to launch eight new vehicles in India by the middle of the decade.

Analysts predict India's growth will bounce back as the economy grows and interest rates fall. IHS expects sales of passenger cars and light trucks in India to more than double in the next eight years, reaching 6.2 million vehicles by 2019.

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Ford's 460-acre site is in Sanand, in the Indian state of Gujarat, which has a reputation for being business friendly.

Tata Motors moved its Tata Nano factory to Sanand, after local protests forced it to shutter its factory in the state of West Bengal.

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